



# Memorandum

TO: HONORABLE MAYOR  
AND CITY COUNCIL

FROM: Albert Balagso

SUBJECT: **MBA: RECREATION  
E-COMMERCE SYSTEM**

DATE: May 23, 2007

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Approved /s/

Date 05/30/07

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## INFORMATION

### SUMMARY

The Recreation and E-Commerce System (RECS) project represents an important opportunity to create far-reaching benefits to customers and to improve the efficiency of limited staff in PRNS. Customers expect, and RECS would provide, 24/7 service opportunities and access to information. The on-line access would make San Jose comparable to most of our neighboring Bay Area cities. In addition, it is critical for a large, diverse operation such as the City's community centers to have better data and information from which we can develop marketing strategies, monitor/improve performance and make data-driven decisions.

PRNS recognizes the value and importance of the Council's request for return-on-investment information such as potential efficiencies, revenue increases and user benefits. The RFP process is still in effect and Active Network was identified as the most qualified vendor. Active has agreed to honor the pricing in the RFP until December 2007 to prevent having to re-issue the RFP again. PRNS will take additional time to gather and present comparative information from other cities and the hard/soft benefits of this particular technology investment, including revenue projections. PRNS will bring forward a comprehensive business plan for the RECS project for City Council approval later this calendar year. Should the City Council approve the RECS project business plan, related appropriation actions will be brought forward for Council approval accordingly.

### BACKGROUND

On November 26, 2002, the San José City Council approved the e-Government initiative. Direction was given to the Administration to implement a system for class registration, including payments on-line for classes offered by the Department of Parks, Recreation, and Neighborhood Services (PRNS). The class registration and payments on-line initiative has been named RECS.

A Request for Information (RFI) was issued in April 2005. Three vendors responded and two of the solutions presented (Vermont Systems and Active Network) were deemed viable options for

the City. Next, a Request for Proposal (RFP) process was conducted in 2006 in coordination with Finance-Purchasing and IT. An evaluation team (comprised of PRNS, Finance and IT staff) interviewed and determined that Active Network was the most qualified vendor.

In January 2007, in the midst of preparing the contract for negotiation, the funds earmarked in the Technology Reserve for RECS were redirected to another critical infrastructure improvement project, leaving RECS unfunded. An alternative funding strategy was proposed utilizing the Parks and Community Facilities Development Capital Program. At the capital budget study session of Thursday, May 17, 2007, at which the \$1.6 million request was discussed, the City Council requested additional information on the costs and benefits of implementing the RECS system. Specifically, the City Council asked for return-on-investment information such as potential efficiencies, revenue increases and user benefits.

## **ANALYSIS**

PRNS currently utilizes a paper-based, manual system and, in three instances, outdated site specific systems, to manage and process enrollment for recreational events, programs and classes. The three community centers are currently operating as independent businesses and are not linked. These systems are inefficient, inconvenient to our customers, and time consuming to maintain.

By implementing RECS, PRNS expects to achieve improvements in three primary areas:

1. Efficiencies: Less Time on Transactions; More Time on Programming
2. Revenue Increases: Using Technology to Increase Marketing and Participation
3. User Benefits: More Convenience and Service for Customers

The following sections explain these benefits in more detail.

### **Efficiencies**

As RECS would be used for fee class registrations, sports and facility reservations and Family Camp, PRNS has captured time-motion efficiencies for the primary business process: registrations (see Attachment A). For registrations of all programs affected by RECS, PRNS estimates annual efficiencies of 233,000 minutes (1.87 FTE), or 56%, valued at \$75,725. This is calculated by the average time a staff member takes to process one registration for one class or activity multiplied by the annual number of registrations for that particular activity.

It should be noted that these efficiencies assume the same level of registration volume, and will likely be greater due to projected increases in registration volume. Similar time-motion analyses for other business processes (e.g., refunds, cancellations, modifications, etc.) have not been conducted at this time but with the implementation of RECS, staff will be able to capture and process this data more quickly. Staff time currently focused on administrative duties can be re-directed to enhance programming. Duties include recruiting for instructors to meet new trends;

increased direct contact with customer for surveys and customer feedback; training of staff; and focus on marketing the programs resulting in fewer canceled classes, more variety of class offerings, and ability to better meet the customer's needs.

### Revenue Increases

#### Participation Rate

In other cities that we surveyed with computerized registration systems, the average resident participation rate in City-sponsored recreation programs is 12%. While these cities' registration statistics prior to implementing a computerized system are not readily available, we know that only 2% of San Jose residents currently participate in classes/activities offered by our centers. We also know that over 50% of San Jose's customers are repeat customers. These figures suggest that there is an untapped market for San Jose's recreation programs. At the same time, there is unused capacity, particularly at the newer centers and future centers, to accommodate more classes/activities for people, if PRNS knew which programs and populations to target for niche marketing.

The chart below illustrates a number of cities that currently utilize a system similar to RECS and the corresponding percentage of their population that register for recreational activities on an annual basis. The City's participation rate is low for a city of our size.

City	Population	Registrations per year	Ratio
Morgan Hill, CA	37,091	4,000	11%
Oakland, CA	411,755	50,000	12%
Orlando, FL	213,223	25,000	12%
Prince George County, MD	846,123	125,483	15%
Toronto, Canada	2,480,000	300,000	12%
<b>San Jose, CA</b>	<b>974,000</b>	<b>20,000</b>	<b>2%</b>

RECS is an important tool in helping to increase the participation rate by providing a means of analyzing registration statistics for the purpose of providing programming that meets the demands of customers and to attract customers who want the convenience of registering online and the ability to easily search for available classes in multiple centers.

#### Maximizing New Facilities

By 2010, community center square footage will increase by over 80% from 2002-2003 levels due to the Measure P bond program with anticipated projects at Mayfair, Bascom, Solari, and Roosevelt Community Centers, along with the already delivered Gardner Community Center, Almaden Community Center, Camden Community Center remodel, Alum Rock and Berryessa Youth Centers and the West San Jose Community Center. The increased square footage provides

an ample opportunity to increase programming by as much as 40-50% thereby driving increased revenues. Further analysis would allow for more precise future capacity and revenue projections. An automated system will increase the ability to maximize the facility usage and to maximize the efficiency of coordinating multiple and simultaneous uses.

	2005-06	2006-07 (Jul-May)	Increase
<b>Almaden Comm. Center</b>			
Revenue	\$241,404	\$580,852	\$339,448
Sq. footage	7,000	40,000	33,000
<b>Camden Comm. Center</b>			
Revenue	\$330,604	\$461,060	\$130,456
Sq. footage	28,293	58,678	30,385

This chart illustrates the performance of Almaden Community Center. Almaden Community Center was significantly expanded through the bond program to 40,000 sq. feet from 7,000 sq. feet. Staff began programming the additional space for the last half of 2006 and so far the center's performance for FY 2006-07 shows a revenue increase of 140% over FY 2005-06. Camden Community Center is another example of a bond project that was renovated from 28,293 to 58,678 sq. feet. Camden Community Center's revenue in FY 2005-06 totaled \$330,604 and \$461,060 for FY 06-07. The 39% revenue increase illustrates the first year growth with the additional space. As noted earlier, the role of RECS would be to ensure the efficient coordination of larger facilities and increased programming.

#### Revenue Projections

The automated computerized system will have a positive impact on the many variables involved in efforts to increase revenues. These variables include the following:

- Ability to market to a wider audience
- Ability to increase the participation rate from the current 2% level towards the 12% average of other cities
- Ability to decrease underutilized capacity
- Ability to increase participation by reducing the percentage of canceled classes (49%)

If, for example, the participation rate doubled to 4%, the potential revenue could reach \$8 million given sufficient capacity and adequate staffing resources. Likewise, if revenue generation increases by 10% in just the first year after RECS is implemented, approximately \$428,200 in additional revenue (of the \$4.2 million currently collected) would be realized. This estimate is dependent on targeting the correct niche market, increasing the number of participants in the classes and making programs more accessible to the customers. Also, these revenue estimates would be offset by associated expenses such as instructor salaries and other indirect program costs. Revenue projections will be further studied in the business plan development.

#### Market/Trend Analyses

An automated system would generate valuable data from which PRNS could better conduct market/trend analyses and maximize potential revenues.

- Market analysis will allow for more efficient, data-based programming that best meets the markets needs and better predicts market demand. For example, 49% of courses offered in the 2006 City Activity Guide were canceled due to inadequate enrollment. Much of that waste could be avoided with better data and information to better align class offerings with customer needs. Time saved from efficiencies would also allow staff the time to develop and market new class offerings.
- By utilizing the system for trend analysis would allow greater anticipation of facility and staffing needs. Anecdotally, there are significant blocks of vacant time in each community center's revenue-generating space. An integrated system would allow for better coordination and marketing of the vacant space and time.
- The system would be a more efficient marketing tool by giving staff access to a centralized database of customer email addresses (as allowed by customers) so updates and announcements can be efficiently delivered. The system could also be utilized to track and generate reports on demographic information for better target marketing.
- Phone and walk-in registrations will still be available for customers who do not have easy access to internet registration.
- Accountability is increased as every dollar taken in is tracked and documented by the automated system.

#### User Benefits

With RECS, San Jose residents would enjoy the benefits of automation as do the residents of most other Bay Area cities (Attachment B):

- Convenient on-line access in addition to walk-in, mail-in and fax registration: 82% of Phoenix, AZ, residents registered on-line, up from 65% the previous year. In the first year of their online registration system going live, 3,757 walk-up customers were processed for their aquatics program, compared to 6,613 customers who registered online. In their second year of online registration, 1,844 customers were walk-up with 7,776 who registered online. This is for one program alone in their entire repertoire of recreation offerings.
- Immediate confirmation of activity: Customers will be notified immediately if the class is confirmed. If the class is full, residents will know immediately and will have the immediate option of choosing another activity or another location. Currently, customers pay for registrations immediately, but if a class is full or canceled, a lengthy refund process is required.
- Reduced customer travel time and lines: Customers for the sports fields currently wait an average of 6 hours in line and in some instances camping out to reserve a field.
- Increased accountability: PRNS will maintain and generate fiscal and program data on which accountability and decision-making can be based.

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- Ease of utilizing credit cards: Customers could minimize the risk of carrying cash. Additionally, a system would allow customers the option of maintaining membership cards and, as appropriate, credits.
- For residents without Internet access, the in-person service at community centers would continue. The system would allow for more self-serve options for immediate processing of registrations, refunds and payments.

### **COORDINATION**

This memorandum has been coordinated with Randy Murphy, Interim Chief Information Officer of the Information Technology Department.

/s/

ALBERT BALAGSO, Director  
Parks, Recreation and Neighborhood Services

For questions, please contact Jay Castellano, Acting Deputy Director, at 408-535-3571

**ATTACHMENT A**  
**EFFICIENCY BENEFITS**

**Transaction Comparison**

<i>Program</i>	<i>Current Mins.</i>	<i>Projected Mins. w/RECS</i>	<i>Savings in Minutes</i>
Fee Class Transactions	15	5	10
Family Camp	45	20	25
Picnic Reservations	30	15	15
Facility Use Reservation	90	60	30
Event Permits	90	60	30
Permits	20	10	10

**Annual Labor Comparison For Transaction Processing**

<i>Program</i>	<i>Current Annual Transactions</i>	<i>Current Mins.</i>	<i>Current Total Hours./Year</i>	<i>Estimated Mins. w/RECS</i>	<i>Estimated Hours./Year w/RECS</i>	<i>Savings in Hours</i>	<i>Annual Savings @\$19.50/hour</i>
Fee Class Transactions	15,000	15	3,750 hrs.	5	1,250.	2,500	\$48,750.00
Family Camp	800	45	600 hrs.	20	267	333	\$6,500.00
Picnic Reservations	1,500	30	750 hrs.	15	375	375	\$7,312.50
Facility Use Reservation	500	90	750 hrs.	60	500	250	\$4,875.00
Event Permits	350	90	525 hrs.	60	350	175	\$3,412.50
Permits	1,500	20	500 hrs.	10	250	250	\$4,875.00
<b>GRAND TOTALS:</b>	<b>19,650</b>		<b>6,875 hrs.</b>		<b>2,992 hrs.</b>	<b>3,883 hrs.</b>	<b>\$75,725</b>

ATTACHMENT B  
OTHER CITIES SURVEY RESULTS

City	Pop.	Year system was implemented	Reg. System	On-line Reg. System	Vendor	How is system set up?
<b>SANTA CLARA COUNTY CITIES</b>						
<b>Campbell</b>	38,138	1995	X	X	Active Network	Client server
<b>Cupertino</b>	50,546	1999	X	X	Active Network	Client server
<b>Los Gatos</b>	28,989	n/a	X	X	Active Network	Client server
<b>Milpitas</b>	65,276	1993	X		Active Network	Client server
<b>Morgan Hill</b>	37,091	2004	X	X	Active Network	Active hosts web site, and synchronizes with RecWare server.
<b>Santa Clara</b>	110,771	1998	X	X	Active Network	Client server Moving to hosted internet
<b>Saratoga</b>	30,835	2000	X	X	Vermont	Client server
<b>Sunnyvale</b>	133,544	2006	X	X	Vermont	Client server
<b>OTHER CITIES</b>						
<b>Dallas, TX</b>	1.3M	1999	X	X	Active Network	Client server
<b>Fremont</b>	210,158	1997	X	X	Active Network	Client server
<b>Oakland</b>	411,755	2001	X	X	Active Network	Client-Server
<b>San Francisco</b>	798,680	2006	X	X	Active Network	Client-Server